

Protecting Intellectual Property in China

Chinese Marketplaces – The Evolving Landscape



The Chinese market has transformed over the past several decades, growing an average of ten percent per year since 1978 and increasing gross domestic product (GDP) by more than eightfold since 2000¹. The Chinese market is not only growing in size, but the number of intellectual property rights cases and trademark applications are also on the rise,² more than tripling in the last decade, going from 766,319 in 2006 to 2,876,048 in 2015.³ Due to China's economic growth and complex intellectual property (IP) landscape, it's imperative for brands to create strategies specifically for the Chinese market.⁴

Intellectual Property Cases	Patent Cases	Trademark Cases	Copyright Cases	Technology Contract Cases	Unfair Competition Cases	Other IP Related Cases
Number of Cases in 2015	11,607	24,168	66,690	1,480	2,181	3,093
Year-Over-Year Increase (2014-2015)	20.3%	13.14%	12.1%	38.19%	53.38%	22.45%

Source: 2015 Intellectual Property Rights Protection in China. (2016). Retrieved from <http://english.sipo.gov.cn/laws/whitepapers/201607/P020160721403876149335.pdf>

The magnitude of growth in both market size and IP related cases indicate that brand owners need to act quickly and think strategically to avoid trademark squatters, groups or individuals who register trademarks of well-known brands without ownership. Legitimate brands are not the only parties who are registering brand trademarks; those with the intent to manufacture counterfeit goods are registering trademarks in China hoping to turn an easy profit at the expense of the brand owner.

Take Steps to Protect Your Business in China: File First and File Everything

China is somewhat unique in being a “first-to-file” country, meaning that the first party to file for a trademark is the party that will own that mark, even if that party was not the first to use it. Global brands have been, and continue to be, trademarked in China for a product the brand owner does not produce, in a class or subclass they had not registered. These unauthorized, or “bad-faith” trademark registrations can have a negative impact on your company's brand assets and intellectual property. Brand owners must be prepared for China's demanding IP policies; companies like Pfizer⁵ and New Balance⁶ both faced trademark registration battles in China and lost, costing the companies millions of dollars in lost profit and legal fees.

Prior to launching Viagra, a prescription drug for treating erectile dysfunction, Pfizer neglected to register the appropriate trademarks in China. This left them vulnerable

to a local third party to take advantage of China's first-to-file trademark policy. Pfizer fought an 11-year trademark, patent and 3D trademark battle, winning the patent and 3D trademark battles, but losing the trademark case.⁷

New Balance, a U.S. based company, was sued for trademark infringement for using their own brand name in China by a man who had secured the trademark to their Chinese translated name. In 2014, the court ruled not only that New Balance had infringed, but that they had to pay damages equaling half of their profits, from 2011 to 2013, to the trademark holder – a whopping \$15.8 million.⁸

Even when brand owners think they have taken the necessary steps by securing Chinese trademarks, they find that what they have done is not enough.

Best Practices for Navigating Chinese Marketplaces

When filing for a trademark, it is not enough to simply register the mark in the language of the country of origin. Brand owners should take into account variations in local use of a brand name, in both Simplified Chinese and Traditional Chinese translations. China's trademark classes are also unique and do not necessarily match the classes in your country of origin. When registering trademarks in China, consider:



Timing. Make sure to be the first to file and register trademarks before product launch to secure the mark before others.



Language. File your trademark in its original language, locally transliterated and translated versions to ensure brand cohesion across cultures and prevent trademark squatters from filing for your brand's mark in another language.



Classes. File in all applicable and possibly applicable classes and subclasses as a defensive strategy against future squatters. Not only are there over 40 trademark classes, but each class has multiple subclasses, and you have to file in all applicable classes and subclasses separately.



Culture. Partner with local government and IP experts to help ensure a smooth experience and avoid faux pas.



Location. Register in all strategically chosen Chinese territories, as registering in the mainland will not cover you in other regions.



Listen to our on-demand webinar, **Successful Enforcement Strategies in Chinese Marketplaces**, for more information about how to protect your brand: www.markmonitor.com/chinese_marketplaces_webinar

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¹ China Overview. (n.d.). Retrieved December 16, 2016, from <http://www.worldbank.org/en/country/china/overview>

² 2015 Intellectual Property Rights Protection in China. (2016). Retrieved from <http://english.sipo.gov.cn/laws/whitepapers/201607/P020160721403876149335.pdf>

³ Jewell, C. (2016, June). WIPO - World Intellectual Property Organization. China's trademark activity continues to soar. Retrieved from http://www.wipo.int/wipo_magazine/en/2016/03/article_0001.html

⁴ Lallemand, Jeroen. (2011, December). Special report. Trademarks in China Land of Opportunity Poses Unique Intellectual Property Risks for Brand Owners. Retrieved from http://trademarks.thomsonreuters.com/sites/default/files/rsr_assets/docs/china_special_report.pdf

⁵ Lee, M., & Chyen Yee, L. (2012, February 17). Business & Financial News, Breaking US & International News | Reuters. China's trademark system baffles foreign firms | Reuters. Retrieved from <http://www.reuters.com/article/uk-china-trademark-idUSLNE81G02520120217>

⁶ Cendrowski, S. (2016, May 28). Fortune - Fortune 500 Daily & Breaking Business News. How New Balance Ran Into A Trademark Wall In China. Retrieved from <http://fortune.com/new-balance-chinese-trademark/>

⁷ Lee, M., & Chyen Yee, L. (2012, February 17). Business & Financial News, Breaking US & International News | Reuters. China's trademark system baffles foreign firms | Reuters.

⁸ Cendrowski, S. (2016, May 28). Fortune - Fortune 500 Daily & Breaking Business News. How New Balance Ran Into A Trademark Wall In China.